

Graeme Charles on Co-operation in The Devondaler



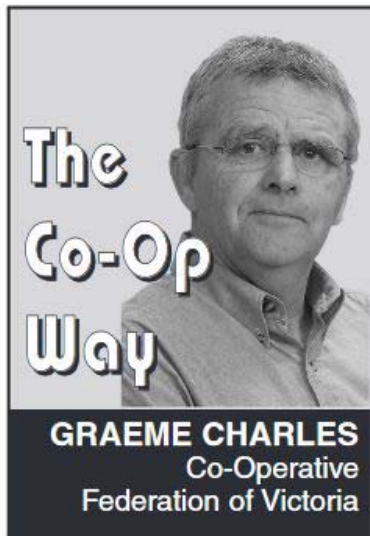
Graeme Charles was the Executive Officer and Secretary of the Co-operative Federation of Victoria Ltd between 1999 and 2002 and Deputy Chairman between 2002 and 2008 – the peak body for co-operatives in the Australian State of Victoria.

Between 2006 and 2008 Graeme Charles was a guest columnist for The Devondaler – the monthly newspaper of Murray Goulburn Co-operative Co. Limited. The Devondaler was established in 1986.

The Co-operative is one of Australia's largest with 2200 dairy farmer members and more than 2000 employees.

Twenty of these columns have been reproduced.

Why Do You Belong to Murray Goulburn Co-operative Company?



Research into reasons why United States dairy farmers choose to market their milk through a dairy co-operative, suggests that these include:

To be guaranteed a market outlet.

To bargain for the best milk price terms possible in the marketplace.

To have milk marketed efficiently, i.e. balancing plant needs, diverting milk surpluses, and assembling producer milk.

To have the highest quality producer milk possible shipped in the market.

To be effectively represented in the legislative, regulatory and public relations areas.

Are these reasons consistent with yours? Did you realise that your co-operative is doing all of these things on your behalf?

The Federation believes that co-operatives are good for dairy farmers and rural communities because:

They exist solely to meet their member's needs, thereby enhancing their incomes and quality of life.

They are a critical dimension of market structure in dairying – strengthening market access and competitive returns for individual farmers.

They can be a critical part of the social fabric in rural communities, encouraging democratic decision-making and leadership development.

They give individual farmers and communities an increased voice in agricultural and rural issues.

Ultimately, they protect Australian ownership and control of the industry.

The Federation urges you to think about these points when considering how your co-operative is meeting your needs, and the part you can play in making this happen.

Co-operative Federation of Victoria Comment

The importance of co-operatives in agriculture across the world

The most successful type of co-operative, measured by market share, is the agricultural co-operative.

In Denmark, marketing, processing, supply and credit co-operatives have realised their full potential. By the beginning of the 20th century **all** the needs of rural communities were being met by co-operatives.

The USA has the largest agricultural co-operative sector. In 1994 four million farmers were members of co-operatives. Co-operatively owned businesses such as Land O'Lakes, Sunkist and Ocean Spray are considered major players in rural America.

In Canada, co-operatives handle 40% of farm cash receipts. They are export led and heavily involved in value-adding through food processing.

In the Americas, Brazil comes next with a co-operative output almost the same as that of Canada.

90% of Japanese farmers are members of co-operatives, and they provide an integrated system of marketing, supply, credit and insurance for the entire rural economy. Its co-operative Central Bank is one of the largest banks, and the insurance arm is the largest insurance company in Japan. These are among the biggest businesses in the world.

If we look more specifically at milk distribution, everywhere the co-operative market share is high. France 50%, Slovenia 70%, Belgium 80%, the Netherlands 75%, the United Kingdom %, and Norway practically 100%.

So co-operatives continue to fulfil a very important role in agriculture world-wide, and the fact that this is no longer the case in Australia should be a cause of concern to all Australian farmers. Rather than continuing to disappear from the rural landscape, the opposite should be happening. Farmers have always been disadvantaged in the market place and only co-operative structures provide them with a means of retaining control and ownership beyond the farm gate.

What Gives Co-operatives A Bad Name?

(From of a paper presented by Bruce Anderson and Brian Henehan from Cornell University, delivered at a Co-operative Conference in Kansas City, Missouri, October 2003)

How many times have you heard someone say, “I don’t want to have anything to do with co-operatives”, or “Co-operatives don’t work”, or “Co-operatives are old-fashioned.”

Sometimes they have failed. In some cases, farmers have had unrealistic expectations about their co-operatives ability to influence the market or improve prices. It is amazing however, how long people’s memories can be, particularly when a person believes, rightly or wrongly, that they have been wronged by a co-operative. In fact, some farmers pass their bad experience with a co-operative down from generation to generation.

There is nothing inherent in the legal or organisational structure of co-operatives that destines them to poor performance. Like every other organization, it all comes down to the behaviour, performance and expectations of their boards, management and members.

What then are some of the reasons that co-operatives have acquired a bad name?

- Monopolistic behaviour
- Members don’t like large impersonal organisations
- Tensions between small and large members
- Acting “just like any Business”
- A perception that the board and management don’t care about members.
- Co-operatives are socialistic institutions
- Co-operatives are not really a business
- Poor Performance

It is the last of these reasons I want to focus on in this article.

Reasons for Poor Performance

Certainly members will think negatively of their co-operative if it is not performing well as compared to other firms in their industry. But the problem of poor performance doesn’t stop there. The poor performance of one co-operative can give a bad reputation to all co-operatives.

Two reasons for poor co-operative performance are:

Conflicting goals

There are inherent goal conflicts in all co-operatives. The board of directors has a fiduciary responsibility to, in the short term, act in the best interests of the co-operative even if its actions have a negative impact on members. An example of this might be reduction of member services. Although such actions are often viewed as negative by members in the short term, the eventual results should benefit members via a more efficient and financially healthy organization.

Management may pursue goals, with or without the approval of the board, that are not in the best interests of members.

A polarized membership may have conflicting goals. Members of different age groups, geographic areas or size of farm enterprise may not agree on a set of common objectives.

Lack of member oversight

There are three major ways in which members can exercise their democratic right within a co-operative.

1. By voicing their opinion
2. By voting for directors and other issues
3. By exiting the co-operative.

In order to properly carry out their democratic responsibilities members must be kept well informed about the co-operatives affairs and performance.

The necessary trust built between members and the co-operative depends on a high degree of accurate communication from directors, management and employees.

Unfortunately, as all agricultural sectors have become more competitive, one area that has probably suffered a disproportionate share of cuts is member relations and information.

Members have an obligation to keep themselves informed about their co-operative. Again unfortunately, a large portion of members do not read publications or attend co-operative meetings.

1 September 2006



List of Graeme Charles articles published between 2006 - 2008

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